

Message Text

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TO AMEMBASSY KUALA LUMPUR PRIORITY

INFO AMEMBASSY BANGKOK PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY LA PAZ PRIORITY

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: U.S.-MALAYSIAN CONSULTATIONS ON TIN

REFS: A) KUALA LUMPUR 8278, B) STATE 7887, C) STATE 196815

1. THE MALAYSIAN EMBASSY IS COMMENDED FOR ITS EXCELLENT
REPORT ON CURRENT MALAYSIAN TIN POLICIES AND POSSIBLE
WAYS TO IMPROVE THEM.

2. THE DEPARTMENT AGREES THAT SUCH HIGH LEVEL DISCUSSIONS
WITH THE MALAYSIAN GOVERNMENT WOULD HELP TO RESOLVE BASIC
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COMMODITY DIFFERENCES THAT AFFECT BILATERAL RELATIONS AND
OUR PARTICIPATION IN THE INTERNATIONAL TIN COUNCIL AND
WHICH COULD AFFECT OUR PARTICIPATION IN A RUBBER ICA. WE
REMAIN CONCERNED THAT THE MALAYSIAN GOVERNMENT APPEARS
UNWILLING OR UNABLE TO MAKE CHANGES IN THE FEDERAL TAX
SYSTEM AND THE STATE'S LICENSING SYSTEM WHICH ARE SO
IMPORTANT TO THE RESURGENCE OF THE MALAYSIAN TIN INDUSTRY.

WE HAVE BEEN PLEASED WITH NEWLY APPOINTED MINISTER LEONG'S FORTHCOMING APPROACH ON THESE ISSUES AND HIS INTEREST IN SETTLING THE STATE'S LICENSING PROBLEM. AT THE SAME TIME, THE FEDERAL TAX LEVEL REMAINS EXTERMELY HIGH AND THE STATE LICENSING PROBLEM REMAINS UNRESOLVED. AS A CONSEQUENCE, MALAYSIAN TIN PRODUCTION CURRENTLY IS AT LEVELS

CONSIDERABLY BELOW THAT OF 1972. BILATERAL CONSULTATIONS COULD HELP TO FOCUS THE ATTENTION OF MALAYSIAN FEDERAL AND STATE OFFICIALS ON THESE ISSUES AND COULD PROVIDE SOME IMPETUS TO THE EFFORTS OF MINISTER LEONG AND OTHERS WHO APPARENTLY WISH TO SEEK RESOLUTION OF THESE PROBLEMS.

3. OUR CURRENT THINKING IS THAT LATE OCTOBER MAY BE AN APPROPRIATE TIME FOR CONSULTATIONS. BY THEN, THE CONGRESSIONAL SITUATION ON TIN DISPOSAL-CONTRIBUTION LEGISLATION SHOULD BE CLARIFIED. SINCE THE PRICE RANGE ISSUE WAS DEALT WITH IN JULY, WE EXPECT THE OCTOBER ITC SESSION TO DEAL WITH LONG-RANGE ISSUES OF SUPPLY AND DEMAND BALANCE. THIS SHOULD GIVE US AN INSIGHT INTO PRODUCER ATTITUDES DURING THE COMING YEAR AND PROVIDE A BASIS FOR DISCUSSIONS WITH MALAYSIANS. FURTHERMORE, CONSULTATIONS IN LATE OCTOBER WOULD PROVIDE AN OPPORTUNITY TO REVIEW WITH MALAYSIAN OFFICIALS KEY ISSUES IN RUBBER NEGOTIATIONS NOW SCHEDULED FOR NOVEMBER 13-DECEMBER 8, 1978. AT THIS TIME, HOWEVER, WE ARE UNABLE TO CONFIRM EITHER THE DATES FOR LIMITED OFFICIAL USE

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CONSULTATIONS OR THE AVAILABILITY OF APPROPRIATE DEPARTMENT OFFICERS (EITHER DEPUTY ASSISTANT SECRETARY BOSWORTH OR DIRECTOR OF THE OFFICE OF INTERNATIONAL COMMODITIES, ALLAN WENDT).

4. IN THE MEANTIME, THE DEPARTMENT WOULD APPRECIATE CONTINUING REPORTS OF THE MALAYSIAN GOVERNMENT'S VIEWS ON THE TIN SITUATION AND THE STATUS OF THE TIN INDUSTRY DISCUSSIONS WITH THE STATE GOVERNMENTS ON THE QUESTION OF TIN LICENSE ISSUANCE AND RENEWAL. WE ALSO WOULD APPRECIATE AS MUCH COVERAGE AS POSSIBLE OF MALAYSIAN POSITIONS AND THINKING ON FORTHCOMING NATURAL RUBBER NEGOTIATIONS.

5. SINCE WE ARE NOT YET ABLE TO CONFIRM CONSULTATIONS, THE EMBASSY IS REQUESTED NOT TO DISCUSS OUR TENTATIVE PLANNING WITH THE GOM AT THIS TIME.

6. RE REF B, THERE HAS BEEN NO MOVEMENT IN CONGRESS ON DISPOSAL LEGISLATION SINCE SENATOR HART WITHDREW THE DISPOSAL POLICY AND TRANSACTIONS BILLS ON AUGUST 3 (REF C).

CHRISTOPHER

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